Calendar No. 868

98TH CONGRESS *2d Session* | SENATE | REPORT 98-444

U.S. TRAVEL AND TOURISM ADMINISTRATION AUTHORIZATION

MAY 14, ~~1982~~ 1984.—Ordered to be printed

Mr. PACKWOOD, from the Committee of Commerce, Science, and Transportation, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 2520]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 2520) to provide authorization of appropriations for the United States Travel and Tourism Administration, and for other purposes, having considered the same, reports favorably thereon with an amendment in the nature of a substitute and recommends that the bill do pass.

PURPOSE OF THE BILL

The bill, as reported, amends section 304 of the International Travel Act of 1961 to provide authorization for the United States Travel and Tourism Administration (USTTA). The bill authorizes $14 million for the USTTA for fiscal year 1985, and creates new USTTA offices and programs.

BACKGROUND AND NEEDS

The USTTA is currently operating without an authorization. In 1983, the Senate passed a bill (S. 212) reauthorizing the USTTA for $13 million, $14 million, and $15 million for fiscal years 1984, 1985, and 1986, respectively. The House did not pass an authorization bill for the USTTA. The Committee feels that it is important to author-

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ize the agency and S. 2520 is consistent with the authorization already passed by the Senate.

The Committee feels that the USTTA can be strengthened by expansion of its operations within the United States and abroad. Several forms of expansion have been proposed, including:

1. Creation of USTTA Regional Liaison Centers within the United States;
2. Creation of new overseas offices; and
3. Promotion of travel to the United States through our embassies abroad.

The Committee received testimony on these proposals during its April 6 reauthorization hearing. The testimony suggested that expansion of USTTA operations should be gradual since the agency's resources are limited.

The bill, as reported creates one pilot Regional Liaison Center within the United States (in Rapid City, S. Dak. to test the feasibility of establishing such centers throughout the country. Regional liaison Centers would provide technical assistance to state tourism offices and serve as liaisons between the State office and the USTTA office in Washington, D.C.

The bill also creates new USTTA field offices in Australia, Italy, and the Netherlands. The USTTA currently has field offices in Canada, Mexico, Japan, England, France, and Germany. The Committee believes that creation of new field offices in these large travel markets will enable the USTTA to engender significantly more international travel to and within the United States. Further, the Committee feels that a fiscal year 1985 appropriation of $14 million would permit the creation of three new offices without jeopardizing existing USTTA programs and offices.

Finally, the bill provides for USTTA training of U.S. embassy employees in 30 major foreign tourism markets so the embassies will be capable of promoting travel to and within the United States.

The Committee feels that these programs can be initiated without any reduction of existing programs if $14 million is appropriated for the USTTA for fiscal year 1985.

Legislative History

S. 2520 was introduced by Senator Pressler on April 2, 1984.

A hearing on the bill was held by the Business, Trade, and Tourism Subcommittee on April 6, 1984. Suggestions on appropriate authroization levels and appropriate USTTA expansion were received by the subcommittee at the hearing.

The full committee ordered S. 2520 reported, with an amendment in the nature of a substitute by Senator Inouye, on April 10, 1984, by unanimous vote.

Estimated Costs

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 19, 1984.

Hon. BOB PACKWOOD,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 2520, the International Travel Act of 1961 Authorization Act of 1984.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE—APRIL 19, 1984

1. Bill number: S. 2520.

2. Bill title: International Travel Act of 1961 Authorization Act of 1984.

3. Bill status: As ordered reported by the Senate Committee on Commerce, Science, and Transportation, April 10, 1984.

4. Bill purpose: S. 2520 would authorize the appropriation of $14 million in 1985 to carry out the programs of the United States Travel and Tourism Administration (USTTA). The bill would also establish a Regional Liaison Center pilot program, and would make a number of other administrative changes at USTTA.

Fiscal year 1984 appropriations to date for USTTA are $12 million. The President is requesting $8.6 million for USTTA in 1985.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1985	1986	1987	1988	1989
Authorization level	14.0				
Estimated outlays	10.1	2.7	1.2		

The costs of this bill fall within budget function 370.

BASIS OF ESTIMATE

The authorization level in 1985 is the amount specified in the bill. Outlays reflect historical spending patterns, assuming appropriation of the authorized amount.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by Mary Maginniss.

10. Estimate approved by James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact Statement

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation:

The bill reauthorizes existing programs of the USTTA for fiscal year 1985. The programs will not be changed by the bill.

The bill will create new USTTA programs, including:

1. A Regional Liaison Center within the United States;
2. Three new overseas offices; and
3. Training of embassy employees to promote travel to the United States within foreign nations.

Since the USTTA is not a regulatory agency, these programs would have no impact on the number of individuals or businesses subject to Federal regulation, personal privacy, or Federal paperwork.

The data to be gathered pursuant to section 5 of the bill is statistical information already gathered by the Department of Commerce within existing programs. Therefore, there will be no additional paperwork burden.

Section-by-Section Analysis

Section 1 of the bill is the short title.

Section 2 authorizes $14 million for the USTTA for fiscal year 1985. The Committee wishes to emphasize that reductions in operations at the USTTA's overseas offices are prohibited by the National Tourism Policy Act. The Committee intends that the programs created by the bill be initiated without reductions to existing programs, and the Committee feels that a funding level of $14 million is sufficent to carry out this intent.

Section 3 creates a USTTA Regional Liaison Center in Rapid City, S. Dak. The purpose of the Center is to provide technical assistance to the State tourism offices of Montana, Wyoming, North Dakota, South Dakota, Nebraska, and Minnesota, and to serve as a liaison between the State offices and the Washington, D.C. USTTA office. The Committee intends to create only one Regional Liaison Center at this point in order to determine the feasibility of establishing similar offices throughout the United States.

Section 4 establishes USTTA field offices in Italy, the Netherlands, and Australia. The Committee feels that the large numbers of visitors to the United States from these nations warrant the presence of USTTA offices in these nations, and the Committee intends for these offices to be comparable in size to the six existing USTTA overseas offices.

In selecting locations for the new offices, the Committee sought to determine the largest potential tourism markets. USTTA statistics show that, among nations where there are no USTTA field offices, Australia, Italy, and the Netherlands rank among the highest in terms of arrivals to the United States. In 1982, arrivals to the United States from these nations were:

Australia—253,814.
Italy—232,446.
Netherlands—189,846.

The Committee has also reviewed the draft report of the private sector International Marketing Plan Development Committee, which is preparing a comprehensive international marketing plan for the USTTA. The development committee is expected to recommend in its final report that the USTTA open offices in Australia, Italy, and the Netherlands during the first year of the 5-year marketing plan.

The Committee feels that creation of USTTA offices in these three nations will enable the USTTA to more effectively attract foreign visitors to the United States.

Section 5 provides for USTTA training of State Department employees at U.S. embassies in 30 selected foreign nations so that the employees will be able to promote travel to the United States from within those nations. The 30 nations are to be determined by the Secretary of Commerce based upon a comparison of the tourism revenues generated in the United States by nationals of all foreign countries. Embassies in the top 30 nations on this list will be selected for the training program.

Changes in Existing Law

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman):

The International Travel Act of 1961

SECTION 304 OF THAT ACT

Sec. 304. For the purpose of carrying out this Act there is authorized to be appropriated an amount not to exceed $8,600,000 for the fiscal year ending September 30, 1982 , *and not to exceed $14,000,000 for the fiscal year ending September 30, 1985.* Funds appropriated under this section shall be available without regard to the provisions of section 501 and 3702 of title 44 of the United States Code. Funds appropriated under this section for printing of travel promotion materials are authorized to be made available for two fiscal years.

ADDITIONAL VIEWS OF MESSRS. HOLLINGS, INOUYE, FORD, RIEGLE, EXON, HEFLIN

We support S. 2520, as amended by the Committee. In order to understand why the Committee took the action it did, however, we believe a more detailed discussion and explanation is in order. Accordingly, these additional views.

As introduced, S. 2520 would have:

Authorized $14 million in fiscal year 1985 for the United States Travel and Tourism Administration (USTTA). (Section 2.)

Established a field office of the United States Commercial Service in Rapid City, S. Dak. (Section 3.)

Established six Regional Liaison Centers for the USTTA to provide technical assistance to State tourism offices so that they may promote international tourism more effectively. (Section 4.)

These centers which would be staffed by USTTA personnel would be located at the following field offices of the United States Commercial Service: Rapid City, S. Dak.; Portland, Oreg.; Albuquerque, N. Mex.; St. Louis, Mo.; Columbia, S.C.; and Hartford, Conn.

Require the Secretaries of State and Commerce to establish procedures to ensure that at least one employee in each U.S. embassy was provided with all necessary training and materials to promote effectively travel to the United States. (Section 5.)

Most troublesome to us were the provisions in sections 3 and 4 of the bill. Specifically, we had very serious reservations about the need to establish a field office of the United States Commercial Service in Rapid City, S. Dak.; and the need to establish six USTTA Regional Liaison Centers throughout the United States to provide technical assistance to State tourism offices so that they may promote international travel and tourism more effectively; and serve as liaison between the State offices and USTTA. Our misgivings were also shared by several members of the Committee's Travel and Tourism Industry Advisory Committee and by at least one witness at the hearing on S. 2520. Significantly, we believe, none of the witnesses at that hearing supported these provisions.

The concept of providing technical assistance to the States and coordinating their efforts with those of the USTTA has a good deal of merit, in our judgment. As a practical matter, however, there are relatively few States at this time whose budgetary commitments to the promotion of international tourism warrant the creation of six regional USTTA offices to assist their efforts. The meager State funds appropriated to State tourism offices must be spent to promote where the cost/benefit ratio is greatest, and that means in neighboring States and adjacent regions.

Since there is very little effort by the States to attract international visitors, we failed to see how S. 2520 as introduced, could have achieved the purpose of the author, that is, to help promote middle America. In fact, only 29 States budget any money for international promotion. And those 29 budgets only totaled $3.5 million for fiscal year 1982–83. (See appendix A.) For example, under S. 2520 as introduced, the USTTA's Midwest regional office would give technical assistance to 10 States on how to promote international tourism. According to the U.S. Travel Data Center, in fiscal year 1982–83, eight of those States budgeted zero for international promotion; one State budgeted $3,000; and the tenth spent $1,000.

It seemed to us that what Federal technical assistance is now required by the very modest international promotional efforts of some of our States could be adequately met by the USTTA offices in Washington and abroad.

Until such time as a significant number of States make a substantial effort to promote international tourism, we failed to see how Federal assistance and coordination required the creation of six regional offices throughout the country. USTTA would have to hire several more people, and there would not be enough work to keep them busy.

The primary mission of USTTA is to sell the United States in international travel markets through its regional offices located in Canada, Mexico, England, Europe, and Japan. International promotion is highly competitive, and USTTA has been chronically underfunded vis-a-vis its competitors. In our view therefore, we should be very reluctant to divert any of the agency's meager resources from that primary task.

In addition to questioning the need for an additional United States Commercial Service office in Rapid City, S. Dak., and six USTTA Regional Liaison Centers, we also had reservations about the provision requiring that at least one employee in every U.S. embassy be trained to promote travel to the United States.

First, we felt the provision was too broad inasmuch as some U.S. embassies are located in countries which have little or no potential as markets for tourists to the United States. In those cases, we failed to see the need for training an embassy employee to promote the United States.

Second, we believed that it was necessary to add language which would make it clear that the promotion efforts of U.S. embassy employees should be supplementary to and consistent with those of USTTA. Otherwise we were concerned that these efforts might be expanded at the expense of USTTA.

Finally, we questioned whether, in view of his primary mission, a State Department Foreign Service Officer could effectively promote tourism to the United States. Our concern in this regard is illustrated by the testimony of a leading tour operator from London—Sidney Nelson—who appeared before this Committee in 1979. He said:

> It is the unanimous view of the United Kingdom travel trade that to hand over the role of the USTS to the embassy staff and house the travel office at the embassy would be disastrous.
>
> A potential visitor to the United States goes into the visa section by one door of the embassy where he is subjected to a security search. He is given a visa application form and on reading it he knows immediately he is suspected of being an illegal immigrant. He is asked:
>
> "Were you ever refused a visa? How long have you been in the country to which you now live? Is your father-mother-spouse now in the United States? Have you ever been convicted of an offense other than driving? Who is going to pay for your proposed visit?"
>
> Are you then going to ask him to step around the corner

to the other entrance where the same civil servant—I believe you call them Foggy Bottoms—will exude light and warmth with a real commercial desire to sell him the United States. That's what a tourist office is for, sir, about, a place where you sell, sell, and then sell.

I have yet to meet a Foggy Bottom type who can sell.

He doesn't have to. If he doesn't have the flair for selling, he isn't fired. He is moved upward or sideward.

Your tourist office must be staffed by salesmen whose livelihood depends on their salesmanship. The tourist office must be in the main shopping areas where people abound, not in the august surroundings of Grosvenor Square. Without USTS there wouldn't be a tourist market to the USA. Even Lichtenstein maintains a ground floor office open to the public, whereas the USTS is up two flights of stairs with a notice on its door "not open to the public." [1]

During consideration of S. 2520, the Committee agreed to an amendment which we believe goes a long way toward meeting our concerns, and also provides the potential for actually increasing the number of visitors to the United States.

Committee Amendment

Section 2 would authorize $14 million for USTTA for fiscal year 1985.

Section 3 would establish a pilot program to determine the feasibility of establishing Regional Liaison Centers for USTTA. The pilot program Regional Liaison Center would be located in Rapid City, S. Dak., and would serve the State tourism offices of Montana, Wyoming, North Dakota, South Dakota, Nebraska, and Minnesota.

Section 4 directs the Secretary of Commerce to establish additional USTTA offices overseas in Italy, The Netherlands, and Australia; and to staff and fund them at a level that is 75 percent the levels that existed on April 1, 1984 at the USTTA regional office located in Frankfurt, Germany.

The Committee amendment designated Italy, The Netherlands, and Australia because we believe that of the top 12 tourism receipts generating markets for the United States, these 3 have very strong potential. (See appendix B.) Our judgment appears to be shared in the draft reports that have been widely circulated by the private sector International Marketing Plan Development Committee. According to the estimates in those drafts, Italian tourism to the United States has the potential to be expanded at an average rate of about 29,000 visitors per year averaging nearly $35 million in new receipts each year. Tourism from Australia and New Zealand has the potential to be expanded at an average rate of about 34,000 visitors per year averaging more than $33 million in new re-

[1] Hearing on "Authorize Appropriations for USTS" before the Subcommittee on Merchant Marine and Tourism of the Senate Commerce, Science, and Transportation Committee, 96th Cong., 1st Sess., 1979, pp. 38-39.

ceipts each year. Dutch tourism to the United States has the potential to be expanded at an average rate of about 28,000 visitors per year averaging nearly $23 million in new receipts each year.

Limiting the staffing and funding of each of these three new offices to 75 percent of the levels of the USTTA office in Frankfurt, Germany, or about $1.7 million total, is, in our view, entirely consistent with a $14 million budget, and also sufficient for these offices to market the United States effectively in those three countries.

Section 5 is considerably narrower than its counterpart in the original version of S. 2520. Specifically, it would require the Departments of Commerce and State to establish procedures to ensure that, in the 30 nations generating the greatest amount of tourism expenditures in the United States in 1983, the U.S. embassies would have at least one employee trained to promote tourism as a *supplement to the efforts of the USTTA.* (Emphasis added.)

By limiting this requirement to the 30 nations which have generated the greatest amount of tourism expenditures in the United States, the provision attempts to ensure that the limited budget resources available for travel promotion will be used more effectively. In the original bill this requirement would have applied to every U.S. embassy without regard to whether the country in which it was located had potential as a visit USA market.

By specifically stating that the program is supplemental to the efforts of USTTA, the provision makes clear that it is not intended to replace or in any way curtail the functions or mandate of USTTA.

Even as amended, however, our reservations about this section are not completely allayed (see quoted testimony of Sidney Nelson, *Infra*). Nevertheless, we are sufficiently persuaded by the Chairman of the Tourism Subcommittee, who is the author of the original section and its amended version, that it "will better utilize our presence in each nation to promote travel opportunities to and within the United States."

ERNEST F. HOLLINGS.
DANIEL K. INOUYE.
WENDELL H. FORD.
DONALD W. RIEGLE, JR.
J. JAMES EXON.
HOWELL HEFLIN.

APPENDIX A

Fiscal 82-83 International Promotion Budgets-States

Portland:	
Oregon	$3,000
Washington	350,000
California	0
Nevada	0
Idaho	0
Hawaii	400,000
Alaska	371,000
Albuquerque:	
New Mexico	30,000
Utah	25,000
Arizona	77,000
Colorado	0
Oklahoma	71,300
Texas	146,675
Rapid City:	
South Dakota	17,037
Montana	30,000
Wyoming	15,000
North Dakota	5,000
Nebraska	4,000
Minnesota	3,165
St. Louis:	
Missouri	0
Kansas	1,000
Iowa	0
Michigan	0
Indiana	0
Wisconsin	3,000
Illinois	0
Kentucky	0
Ohio	0
Arkansas	0
Columbia:	
South Carolina	279,800
Louisiana	62,000
Alabama	6,875
Florida	1,046,000
Georgia	27,000
North Carolina	30,000
Tennessee	0
West Virginia	0
Mississippi	0
Hartford:	
Connecticut	0
Delaware	0
New Jersey	0
Pennsylvania	10,000
New York	300,000
Massachusetts	0
New Hampshire	0
Maine	35,000
Rhode Island	3,712
Vermont	93,000
Washington, D.C.:	
District of Columbia	0
Maryland	5,000
Virginia	0
Total State International Promotion Budget: 29 States	3,450,564

APPENDIX B

1983 Arrivals from the Top 12 Generating Markets

1. Canada	[1] 10,430,000
2. Mexico	[1] 2,600,000
3. Japan	[1] 1,436,238
4. United Kingdom	[1] 1,293,860
5. Germany	[1] 665,706
6. Venezuela	[2] 553,176
7. France	[1] 423,379
8. Australia	[3] [4] 253,814
9. Brazil	[2] 234,658
10. Italy	[3] 232,446
11. Columbia	[2] 208,981
12. Netherlands	[3] 189,846

[1] Countries with current USTTA offices.
[2] South American countries with current economic problems.
[3] Top potential markets where USTTA does not now have offices.
[4] The Australian market generating figures do not include New Zealand (106,082 arrivals in 1982) which would logically be promoted from an Australian USTTA office.

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Calendar No. 869

98TH CONGRESS
2d Session

SENATE

REPORT
98-445

MARITIME APPROPRIATION AUTHORIZATION ACT

MAY 14, 1984.—Ordered to be printed

Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation, submitted the following

REPORT

[To accompany S. 2499]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 2499) to authorize the appropriation of funds for certain maritime programs for fiscal year 1985, having considered the same, reports favorably thereon with amendments and recommends that the bill do pass.

PURPOSE OF THE BILL

The bill, as reported, would authorize $468,557,000 for maritime programs administered by the Maritime Administration (MarAd) for fiscal year 1985 in accordance with section 209 of the Merchant Marine Act, 1936. Activities of the Federal Maritime Commission (FMC) are authorized at $12,297,000 for fiscal year 1985.

BACKGROUND AND NEEDS

The Merchant Marine Act, 1936, declares the policy of the United States, in the interest of national defense and commercial health, to "foster the development and encourage the maintenance" of a vigorous merchant fleet. The act authorizes certain programs to promote the U.S.-flag merchant marine and private shipbuilding in the United States.

S. 2499 authorizes the appropriation of $468.557 million for MarAd, while the administration's request is for $460.480 million. The $8.077 million difference provides for (1) purchase of fuel oil for the operation of Federally-owned training vessels, (2) additional funding for conversion of the *Santa Mercedes* for use as a training vessel, and (3) retention of existing funding levels for state acade-

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my student incentive payments. The bill does not contain funding for construction differential subsidies, as is consistent with the administration's budget.

S. 2499 contains authorizations for three distinct programs of MarAd: Operating Differential Subsidies, Research and Development, and Operations and Training.

OPERATING DIFFERENTIAL SUBSIDIES

Operating differential subsidy (ODS) is paid to U.S. companies to enable them to operate U.S.-flag ships competitively in the U.S. foreign trade by offsetting the excess of U.S. ship operating costs over comparable foreign ship operating costs. Direct subsidies were first provided to American liner operators under the Merchant Marine Act, 1936. The Merchant Marine Act of 1970 expanded the coverage of operating differential subsidies to include bulk carrier ships. The 1970 act also established new procedures for determining subsidy for wages and subsistence.

These are two distinct subsidy programs for bulk carriers: for those carriers engaged in the worldwide trade and for those in the special bulk commodities trade. Carriers in the worldwide trade are under long-term subsidy contracts and provide an established amount of service in this trade. This compares to the program for liner carriers which provide established amounts of service in stipulated trades. Together, these programs comprise the "regular" ODS program. Carriers in the special bulk commodities trade are generally under 1-year contracts, are not required to provide an established level of service, and are paid subsidy only when actively engaged in voyages related to special bulk trades.

The amount requested for operating differential subsidies in 1985 is $377.750 million. This will support a fleet of 142 ships: 124 liner vessels operated by 8 companies and 18 bulk carriers (primarily tankers) operated by 9 companies. The subsidized liner fleet includes break-bulk vessels, barge-carrying (LASH) vessels, and roll-on/roll-off vessels that can be used for military deployment—as well as containerships for resupply. The sums requested for operating differential subsidy are for liquidation of contract authority granted to the secretary on section 603 of the Merchant Marine Act, 1936. Most existing operating contracts will terminate in the mid to late 1990's.

The amount of this subsidy has decreased from $454.010 million in 1983 to $401.294 million in 1984, and for 1985 the amount is $377.750 million. These decreases are primarily the result of a carryover of funds from prior years because of a reduction in the actual number of ship-years of operation. However, the effect of the employment of more low-wage crews by foreign-flag operators by shifting from national crews to nonnational crews—in addition to reduced crew size in foreign-flag vessels—is expected to magnify the wage differential. Wages presently account for approximately 90 percent of total ODS expenditures.

Wage differentials are determined through the use of a wage subsidy index system based on a Bureau of Labor Statistics index for wages and benefits in private industry. The wage subsidy index system is designed to limit subsidizable wage costs to the national

trend of wage increases in private industry. Work rules in this industry, however, vary greatly from those in other transportation modes, making wage comparisons inappropriate.

The Committee recommends authorization of the full amount requested.

RESEARCH AND DEVELOPMENT

The maritime research and development program develops concepts, methods, systems, and equipment to improve productivity and operating efficiency in the U.S. shipbuilding and ship operating industries. Programs are aimed at the development of information and technology that will result in lower shipbuilding costs, operating costs, and government subsidies for both ship construction and operation. Substantial participation by industry is obtained through cost-sharing and joint industry-government projects.

The administration requested an authorization level of $10 million which is the same as contained in S. 2499 as introduced. Of this request, a total of $7 million is to be funded by the transfer of unobligated balances from the ship construction appropriation. The 1985 level of $10 million reflects a decrease of $1.385 million from the prior year due to selective reductions in lower priority projects in applied research.

OPERATIONS AND TRAINING

This part authorizes funding for various operational and training activities of the MarAd. These include salaries and other expenses for the operation of the Federal Merchant Marine Academy, for additional Federal training programs, and for financial assistance to State maritime academies. This part also provides funding authority for national security support programs, for emergency planning and operation programs, and for general operating expenses not separately authorized. The administration requested $72.730 million, but the bill, as introduced requested $80.807 million. The difference reflects $8.077 million in assistance to State maritime academies. The administration's request represents about a $0.5 million reduction in the amount authorized and appropriated for the prior fiscal year. In certain programs where there are increases, the increases have been offset by decreases in personnel costs and other costs. Personnel restrictions are expected to be made in field offices, foreign offices, and in those offices involved in the construction differential subsidy program.

Federal Maritime Academy

MarAd operates the U.S. Merchant Marine Academy at Kings Point, N.Y., where U.S. citizens are trained to become merchant marine officers. The Academy has a present enrollment of 1,065, with an entering enrollment of 325 and a graduating class size of 237 students. MarAd feels that, due to the oversupply of merchant marine officers, their 1984 enrollment reduction by 10 percent can be repeated in 1985 by another 10 percent. Graduates are generally employed at sea as deck or engineering officers or ashore in the maritime industry.

The amount requested by the administration is $21.94 million which is the same as the requested in S. 2499. This provides for the operation of the base program of the Academy, which offers a 4-year undergraduate program that leads to a Bachelor of Science degree and a Coast Guard-issued merchant marine license as a third mate or third assistant engineer. The students are also enrolled as midshipmen in the U.S. Naval Reserve and, if eligible, are commissioned as ensigns in the U.S. Naval Reserve. This will also provide $0.64 million for continuation of the facilities modernization program and $2.34 million for the beginning of the renovation of barracks service areas. The Committee adopted the administration's funding request.

State maritime academies

MarAd administers government payments and student incentive payments to six State maritime academies that are located in Maine, New York, Massachusetts, California, Texas, and Michigan. These schools have a total enrollment of about 3,000 and graduates about 600 students annually. Graduates are generally employed at sea as deck or engineering officers or ashore in the maritime industry.

The administration's request is for $11.123 million; however, S. 2499 provides for $19.2 million in aid to State maritime academies. This difference reflects $3 million in fuel oil assistance to State maritime academy training vessels, $0.077 million for retention of existing student incentive payments and $5 million for conversion of the *Santa Mercedes.*

These federally owned vessels assist the Academies in the training of merchant marine and Naval Reserve officers and are operated and maintained by the respective State academies. While the State educational systems have provided considerable funding and manpower assistance to keep these vessels in an excellent state of readiness, the high cost of fuel oil has imposed a significant burden. This issue was first raised during the debate that led to the enactment of the Maritime Education and Training Act of 1980 (Public Law 96-453) when there was considerable concern over the need to provide for fuel oil assistance. While this assistance was not mandated by the act, the hearings generated a widely-held understanding that this annual assistance would be provided. After enactment, the administration supported fuel oil assistance for fiscal year 1981 at $850,000, which was appropriated. The State maritime academies received no other fuel oil assistance until $3 million was appropriated for fiscal year 1984. The same amount has been included in S. 2499 for fiscal year 1985. This is intended to provide for sufficient fuel for nighttime underway training, ship-handling exercises, casualty drills, and other training evolutions that would not otherwise be possible.

The administration proposed to reduce student incentive payments by $77,000 as a first step in a 4-year program to reduce the total number of these payments by 50 percent. These payments amount to $1,200 per academic year for each cadet. The incoming first-year student incentive allocation is set at 644 students with a total of slightly more than 2,000 allocations at the State academies at any one time. The rationale for the administration's proposed re-

duction is based on the decline in the number of U.S.-flag vessels in operation and, therefore, funding at current levels is not justified due to the oversupply of merchant marine officers. The administration stated that providing a Federally-sponsored incentive to students to enter the marine industry (an industry that has been and continues to see diminishing employment opportunities) is grossly misleading and unfair to the student contemplating various career opportunities.

The Committee felt that the administration's contemplated first time reduction of the long-standing student incentive payment program should have been called to the Committee's attention during the formative stages to permit a timely evaluation of all available documentary data and, therefore, chose to retain existing student incentive payments.

The Committee was informed that MarAd had purchased the *Santa Mercedes* from Prudential Lines for about $4.2 million as a replacement for the training vessel *Bay State,* which suffered a total constructive loss as the result of an engine room fire. A total of $10 million has been carried over from fiscal year 1984 to acquire and convert a ship to replace the *Bay State.* After the purchase, $5.8 remains available for towing and conversion of the *Santa Mercedes* for use as a school ship. MarAd intends to complete conversion and delivery to the State of Massachusetts by July 1, 1985. The Committee, however, received testimony questioning the adequacy of funding to permit a timely and adequate conversion. The Committee subsequently adopted an amendment adding $5 million for this purpose.

Additional training

Section 1305 of the Merchant Marine Act, 1936, as amended, authorizes MarAd to prescribe, conduct, and supervise courses of instruction it deems necessary to supplement other training facilities. Under the current program, eligible personnel are provided training in shipboard firefighting, use of collision avoidance radar, gyro compass operation and maintenance, use of loran, and operation and maintenance of medium- and slow-speed diesel propulsion engines. The basic objectives of this program are to assist in providing a trained shipboard work force, improve safety of life and property in shipboard operations, and prevent shipboard pollution resulting from ship collisions, groundings, and fires. User charges are levied for radar and diesel engine courses. The administration requested, and the Committee authorized, $1.410 million to permit continuation of these training programs.

NATIONAL SECURITY SUPPORT CAPABILITIES

National security support capabilities include expenses associated with maintenance of the National Defense Reserve Fleet (NDRF) and the emergency operations program. Each program is directly supportive of MarAd's national security responsibilities. The reserve fleet program provides for preservation, maintenance, and security of ships in the NDRF and for administration of the ship transfer and ship disposal programs.

The NDRF provides an inventory of ships to supplement the active fleet in times of war and national emergency. The fleet is the only source of reserve breakbulk shipping capacity available to the United States during a military or commercial shipping crisis. Reserve fleet sites are also used as repositories for ships awaiting disposal. Within the NDRF, a subset of ships selected by the Navy is being maintained in a higher state of readiness to permit full activation within 5–10 days of notification. This subset of ships is referred to as the Ready Reserve Fleet. The emergency planning/operations program develops plans and procedures to ensure continuity and control of maritime operations in time of national emergency, and insures seamen, and private shipping against loss in time of war. The administration requested, and the Committee authorized, $9.111 million to continue these support programs.

OTHER OPERATING EXPENSES

This item provides funding for overall agency program direction and administration and for general administration not directly assignable to specific programs; for administration of the subsidy and the research and development programs; and for the direction and administration of the following programs: Capital Construction Fund, Advanced Ship Development and Construction, Maritime Labor and Education, Civil Rights, Emergency Planning Operations, Market Development, Advanced Ship Operations Systems, Port and Intermodal Systems, and Domestic Shipping. The administration requested, and the Committee authorized, $29.146 million for these operating expenses.

FEDERAL MARITIME COMMISSION

S. 2499 also authorizes activities of the FMC at the administration's requested level of $12.292 million for fiscal year 85. This is an increase of $1.35 million above the fiscal year 84 budget of $10.95 million. The increase is due primarily to organizational and operational changes made necessary by enactment of the Shipping Act of 1984 (Public Law 98–237).

Legislative History

Senators Stevens and Packwood introduced S. 2499 on March 29, 1984. The Merchant Subcommittee held a hearing on S. 2499, on April 5, 1984, at which representatives of MarAd, Department of the Navy, the Council of American-Flag Ship Operators, the Shipbuilder's Council of America, and the State maritime academies testified. Other interested parties submitted statements for the record, including the FMC. On April 10, 1984, the Committee ordered S. 2499 reported with amendments.

An earlier bill, S. 1037, to authorize MarAd appropriations for fiscal years 1984 and 1985, was ordered reported by the Committee on April 21, 1983 and passed by the Senate on April 28, 1983. The House of Representatives had not taken up S. 1037 as of the date of this report.

ESTIMATED COSTS

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., May 1, 1984.

Hon. BOB PACKWOOD,
Chairman, Committee on Commerce, Science and Transportation, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 2499, the Maritime Appropriation Authorization Act for Fiscal Year 1985.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE—MAY 1, 1984

1. Bill number: S. 2499.

2. Bill title: Maritime Appropriation Authorization Act of fiscal year 1985.

3. Bill status: As ordered reported by the Senate Committee on Commerce, Science and Transportation, April 10, 1984.

Bill purpose: The bill authorizes fiscal year 1985 appropriations of $10 million for research and development activities and $80.8 million for operations and training activities of the Department of Transporation's Maritime Administration. The bill also authorizes $377.7 million for fiscal year 1985 for liquidation of contract authority for operating-differential subsidies. In addition, $12.3 million is authorized to be appropriated for the Federal Maritime Commission.

The President also requested $10 million for research and development activities for 1985, including a $7 million transfer from the unobligated balances of the ship construction account. For operations and training, however, the President requested only $72.7 million, $9 million lower than the level authorized by the bill. Funding for the two programs for 1984 totalled $85 million. The President requested $12.3 million for the Federal Maritime Commission, the same amount authorized by this bill; $10.8 million has been appropriated for the Commission in 1984.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1985	1986	1987	1988	1989
Authorization level	103				
Estimated outlays	82	17	4		

The estimated costs for operating-differential subsidies are not included in the above table because the funding does not represent new budget authority; it is needed, however, to liquidate obligations under existing contract authority.

The costs of this bill fall within budget function 400.

BASIS OF ESTIMATE

This estimate assumes that the full amounts authorized for fiscal year 1985 will be appropriated prior to the beginning of the fiscal year. Estimated outlays are based on historical spending patterns.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

Previous CBO estimate: On March 21, 1984, the CBO prepared a cost estimate for H.R. 4706, as ordered reported by the House Committee on Merchant Marine and Fisheries, March 14, 1984. That bill authorized funding levels for research and development activities, operations and training activities, and liquidation of contract authority for operating-differential subsidies that were identical to the levels authorized by this bill. H.R. 4706 did not, however, authorize appropriations for the Federal Maritime Commission. The estimated cost reflect this difference.

9. Estimate prepared by Kathleen Kelly.

10. Estimate approved by James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact Statement

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation:

S. 2499 authorizes only ongoing maritime programs and does not increase the scope of involvement in these programs by either the Secretary of Transportation or the FMC.

(A) Number of persons covered.—No individuals or businesses would be subject to additional regulation.

(B) Economic impact.—The economic impact of existing regulation is not changed by this bill.

(C) Privacy.—The bill does not affect the privacy of individuals.

(D) Paperwork.—No additional reporting requirements are imposed by the bill. Funding for word processing equipment for the FMC should decrease the internal paperwork of the agency.

Section-by-Section Analysis

Section 1.—This section contains the short title.

Section 2.—This section authorizes a total of $468,557,000 for various maritime programs of the Department of Transportation for fiscal year 1985. With minor exceptions, the bill is consistent with the administration's request and does not include any funding for construction differential subsidies. It does, however, include additional funding for fuel oil for training vessels of the State maritime academies, for continuing existing student incentive payments, and for conversion of the *Santa Mercedes* to a training vessel. The total amount authorized is an overall decrease of $17,405,000, or about 4

percent, below the amount authorized and appropriated for fiscal year 1984.

The programs are for the promotion of the development and maintenance of an American merchant marine for domestic and foreign trade and for defense requirements. The specific authorizations are as follows:

(a) Liner and bulk carrier operations

This clause authorizes $377,750,000 for obligations incurred for operating differential subsidy. These obligations are the primary means of Federal support for the competitive operation of the U.S.-flag merchant fleet engaged in the foreign commerce of the United States.

The 1985 budget authority includes estimated liabilities for operation of 142 ships. Of these vessels 124 are projected for operation by 8 liner operators; 18 are projected for operation by 9 bulk carrier operators.

This program is necessary for the promotion and maintenance of a U.S.-flag merchant marine capable of providing liner shipping services in essential routes and bulk shipping services in support of the economic security and the national defense of the United States.

(b) Research and development

This clause authorizes $10 million for expenses for research and development activities of MarAd. These activities include programs that develop concepts, methods, systems, and equipment to improve productivity and operating efficiency in the shipbuilding and ship-operating industries. The resulting information and technology helps lower costs to both the industry and the government. Many of the projects are cost-shared with industry. Of the $10 million, a total of $7 million will be funded from prior unobligated balances of the ship construction fund.

(c) Operations and training

This clause authorizes $80,807,000 for financing the costs incurred for the operating and training programs of MarAd. A total of $7,506,000 of this amount is authorized for the preservation and maintenance of ships retained in the National Defense Reserve Fleet and $1,605,000 for emergency planning.

This clause includes authorization of $42,550,000 for maritime training and education programs at the Merchant Marine Academy at Kings Point, N.Y. and at the State maritime academies, as well as for supplemental training programs of MarAd. The Federal academy is authorized $21,940,000 to develop and maintain a four-year undergraduate program that leads to a Bachelor of Science degree and to a merchant marine officer's license as third mate or assistant engineer. In addition to training for the merchant marine, many midshipmen are commissioned as ensigns in the Naval Reserve.

Six State maritime academies are assisted by authorizing $16,200,000 for their operation—which includes the alteration, maintenance, and repair of four training vessels. The sum of $5 million is being provided to assure the conversion of the *Santa*

Mercedes to a training vessel for delivery to the State of Massachusetts by July 1, 1985. Another sum of $3 million is being provided for the cost of fuel consumed by these vessels when used for training purposes.

Funding for supplementary training at $1,410,000 is authorized for administering and operating regional schools that provide training in collision avoidance radar, shipboard firefighting, and for marine diesel engineering.

All other operations and in-house training programs are authorized at a level of $29,146,000.

Section 3.—This section authorizes $12,292,000 for the use of the FMC in fiscal year 1985. This is identical to the administration's request and is an increase of $1,346,000 above the fiscal year 1984 budget. The increase includes $455,000 for personal services; $415,000 for office space rental increases; $121,000 to enable the FMC to complete its acquisition of word processing equipment for its field offices and replacement of obsolete equipment at headquarters; $105,000 for other services and supplies; and, $250,000 to enable the FMC to acquire and further develop necessary and relevant ocean shipping market information.

Agency Comments

Federal Maritime Commission,
Office of the Chairman,
Washington, D.C. March 27, 1984.

Hon. Ted Stevens,
Merchant Marine Subcommittee, Committee on Commerce, Science and Transportation, U.S. Senate, Washington, D.C.

Dear Senator Stevens: The Federal Maritime Commission has prepared its budget estimates for the fiscal year 1985. As Chairman of the Senate Commerce Committee's Merchant Marine Subcommittee, I thought you should know what that budget comprises. Appropriations for the FMC are made through the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill. In light of the recent enactment of the Shipping Act of 1984, this budget should be of particular interest to you in that it reflects organizational and operational changes necessitated by new provisions in the law. For the most part, we have anticipated our fiscal budgetary requirements under the new law and have planned accordingly. This submission is fully consistent with the President's budget as submitted to the Congress in January.

Specifically, our fiscal year 1985 budget estimates in the amount of $12,292,000 provide funding for 239 total workyears of employment. Including pay supplementals, this is an increase of $1,346,000 above the $10,946,000 budget for 1984. This increase comprises $455,000 for personal services; $415,000 for SLUC rates increased by the General Services Administration; $121,000 to enable the Commission to complete its acquisition of word processing equipment for its field offices and replacement of obsolete equipment at headquarters; $105,000 for other services and supplies; and, $250,000 to enable the Commission to acquire and further develop necessary and relevant ocean shipping market information.

By way of background, market information in this context means the total percentage of cargo transported by individual steamship companies in the foreign commerce of the United States (market shares), as well as commodity-specific information for any given ocean trade. This information is critical to the statutory responsibilities of the Commission under the recently passes Shipping Act of 1984. Under section 18 of this new law, the development of this data is mandatory.

Let me take this opportunity to give you an overview of the Commission's activities and accomplishments during this last fiscal year. The Commission is responsible for the regulation of ocean carriers in the U.S. foreign and domestic offshore trades. The FMC investigates discriminatory rates and practices among shippers, carriers, terminal operators, and freight forwarders operating in the U.S. ocean commerce; licenses independent ocean freight forwarders; provides passenger vessel certification and, until September, 1983, certified that vessels in U.S. waters were financially responsible for the clean-up of pollution by oil and hazardous substances. This responsibility was transferred to the Department of Transportation in September 1983.

During fiscal year 1983, the Commission issued 330 final decisions. Of these, 58 were formal proceedings, 116 involved special docket applications, 143 were informal dockets involving shippers' small claims against ocean carriers, and 13 related to rulemaking proceedings.

The Commission collected a total of $1,562,000, which was subsequently deposited with the U.S. Treasury. This included $1,065,000 for fines and penalties related to various violations; $372,000 for water pollution application and certification fees; $67,000 for freight forwarder licensing fees; $30,000 for publications and reproductions; and $28,000 for special permission and special docket application fees. The revenue collected represents 13 percent of the Commission's 1983 operating expenses. Through the assistance of the FMC's Office of Informal Inquiries and Complaints, the shipping public was able to recover more than $185,000 directly from commercial entities.

As I have indicated, responsibility regarding certification of vessels for oil spill liability was transferred to the Department of Transportation of 1983. The Commission, together with OMB, hopes to realize similar benefits for the agency and the public in seeking transfer to the Coast Guard of the Commission's jurisdiction over passenger vessel operators under sections 2 and 3 of Public Law 89–777. This additional transfer is another step in the Commission's effort to better focus operations on fulfilling the FMC's primary mission, thus providing better, more consistent service to all segments of the industry and the regulated public. The Commission anticipates that this action will allow for a workforce reduction of two full-time positions and budget authority reductions of $71,000. The 1985 budget fully reflects these changes. I look forward to having your support for this proposal. Additional information will be provided to you and the Commerce Committee shortly.

Several months ago, the Commission took the first step in what could amount to sweeping changes for the U.S. maritime industry

and the filing of tariffs. In a public announcement, the Commission requested public comment on its plan to promote development of an automated tariff filing system by the private sector. It is envisioned that a paperless electronic system for the filing, storage, and retrieval of tariff information could realistically be developed to service the needs of the Commission, as well as to satisfy the needs of the many and varied interests that use this information in the conduct of U.S., foreign and domestic commerce. The development and operation of such a system would be subject to oversight by the FMC and, if legally feasible, undertaken at no expense to the Federal Government.

At the close of fiscal year 1983, the Commission initiated a Notice of Inquiry for the purpose of soliciting public comment on the regulation of ports and marine terminal operators under the Shipping Act, 1916. The issues to be addressed include the filing and approval of terminal agreements, the need for continued antitrust immunity for marine terminal operators, and the Commission's future role in marine terminal regulation.

The Commission has undertaken a major effort to modernize policies and regulations so that the Government minimizes unnecessary intervention in commercial shipping operations in the United States. The FMC is especially proud of its accomplishments during the past several years because this great progress has been achieved while maintaining a high level of cost-consciousness and a program of fiscal austerity. The Commission is committed to the President's goal to reduce the growth in the size of the Federal Government and to bring spending by the Federal Government under control. Current programs have been fully reviewed and numerous activities have been diligently pursued to modernize the agency, better deploy the talent and experience available to the Commission, and prepare the FMC for new legislation and the sweeping changes that will result. Now, the Federal Maritime Commission has a more effective and efficient operation, one that is better prepared to fulfill the FMC's primary statutory mission. This has been accomplished well within budget and the agency continues to make the best use of the resources provided.

Should you have any questions regarding the Federal Maritime Commission's budget for fiscal year 1985, please do not hesitate to contact me at 523-5911. I sincerely appreciate the opportunity to make this information known to you and look forward to working closely together in the coming years.

Sincerely,

ALAN GREEN, Jr., *Chairman.*

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, the committee states that the bill as reported would make no change to existing law.

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